

E-002/M-88-677APPROVING TARIFF

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of Northern States Power
Company's Request to Offer Maintenance and
Repair Service to Customers that Own Street-
Lighting Equipment

ISSUE DATE: May 24, 1989

DOCKET NO. E-002/M-88-677

ORDER APPROVING TARIFF

PROCEDURAL HISTORY

On October 4, 1988, Northern States Power Company (NSP or the Company) filed with the Minnesota Public Utilities Commission (the Commission) a request to establish a tariff for a new service which would allow the Company to offer repair of customer-owned street lighting for \$1.50 per light per month.

On February 9, 1989, the Department of Public Service (DPS or the Department) filed its Report of Investigation and Recommendation on NSP's request. The Department recommended that the name of the service be changed and that the service be priced at \$.55 per light per month.

On February 24, 1989 NSP filed a response to the DPS recommendation asking the Commission to approve the proposed service as originally filed.

The Department responded in a letter dated April 26, 1989 stating that NSP proposed to re-name its tariff Street-Lighting Service Purchased Equipment and that the Department recommended that the Commission approve the new name. Further the Department recommended that the Commission set the repair service rate at \$1.25 per month per light, or, in the alternative, deregulate the service.

The Commission met on May 15, 1989 to consider this matter.

FINDINGS AND CONCLUSIONS

The Commission must decide whether the Company's proposal results in a just and reasonable rate as required by Minn. Stat. § 216B.03 (1988).

Both the DPS and the Company discussed the appropriateness of regulatory treatment for street

lighting services. Both agreed that repair services are competitive and that the administrative cost of segregating repair services from the regulated portion of the Company may outweigh the revenues received from the service. The Department stated that at the present time it is acceptable for the service to be tariffed provided that it is priced appropriately.

The DPS argued that the Company's rate proposal of \$1.50 is inappropriate because it is based on market value rather than on the embedded cost method used to derive rates in existing tariffs and results in a 33% margin level. The DPS recommended that a rate of \$1.25 per month per light allowed the Company to recover its cost while maintaining some consistency with NSP's existing rate design.

The Company argued that the repair costs built into its rate do not reflect the true cost of repairing customer-owned equipment because some of the lights involved are more expensive than the standard equipment offered under its existing tariff. Further the Company maintained that it does not know the actual repair cost of this equipment because the service has been available to customers only since November, 1988. Finally, NSP asserted that charging a market value rate of \$1.50 is justified because this service is competitive and optional.

The Commission will accept NSP's proposed tariff with the name changed to Street-Lighting Service Purchased Equipment. The Commission finds that the repair and maintenance of customer-owned street lighting is a competitive service. The Commission accepts the Company's reasons for not asking that this service be deregulated at this time. The service is anticipated to generate less than \$3,000 per year; the administrative costs of separating repair services from the regulated portion of the Company may outweigh the anticipated revenues.

The Commission acknowledges that the proposed rate produces a higher margin than is allowed on other regulated services. The Commission balanced a number of considerations in approving the Company's proposed rates. First, the Commission believes that under-pricing a competitive service offered by a regulated utility could drive unregulated competitors away from offering the service. Second, any profits made by providing the service would be flowed back to the general body of ratepayers, and finally the amount of money this service is anticipated to generate is relatively small. The Commission finds that the Company's proposed rate will result in just and reasonable rates as required by law.

ORDER

1. Northern States Power Company's request to offer maintenance and repair service to customers that own street-lighting is hereby approved as discussed above.
2. The Company shall file revised tariff pages within 10 days reflecting the decision made here.
3. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)